

The Continuing Medicaid Budget Crunch

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HEALTH MANAGEMENT ASSOCIATES

Outline for Today

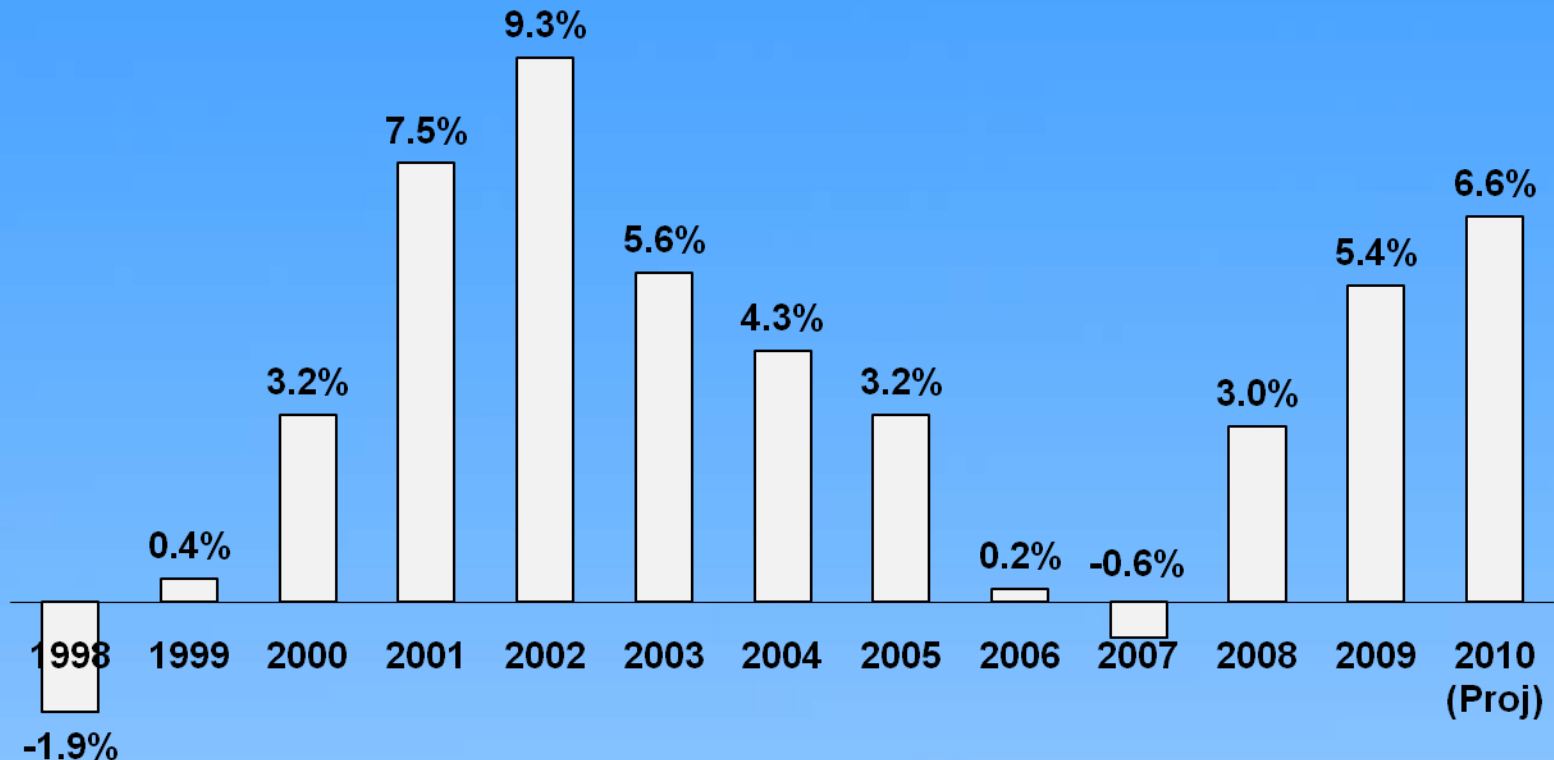
- 2009 KCMU State Medicaid Budget Survey Results
- Mid – FY 2010 Survey Update
- HCR Implications

Context for 2009 Kaiser Medicaid Budget Survey

- 9.7% national unemployment rate in August 2009
 - 15 states at or above 10%
- 48 states projecting budget shortfalls
- Federal government providing 9 quarters of ARRA enhanced FMAP
 - \$87 billion
 - Expires December 2010
 - MOE “strings attached”

Percent Change in U.S. Medicaid Enrollment, FY 1998- FY 2010

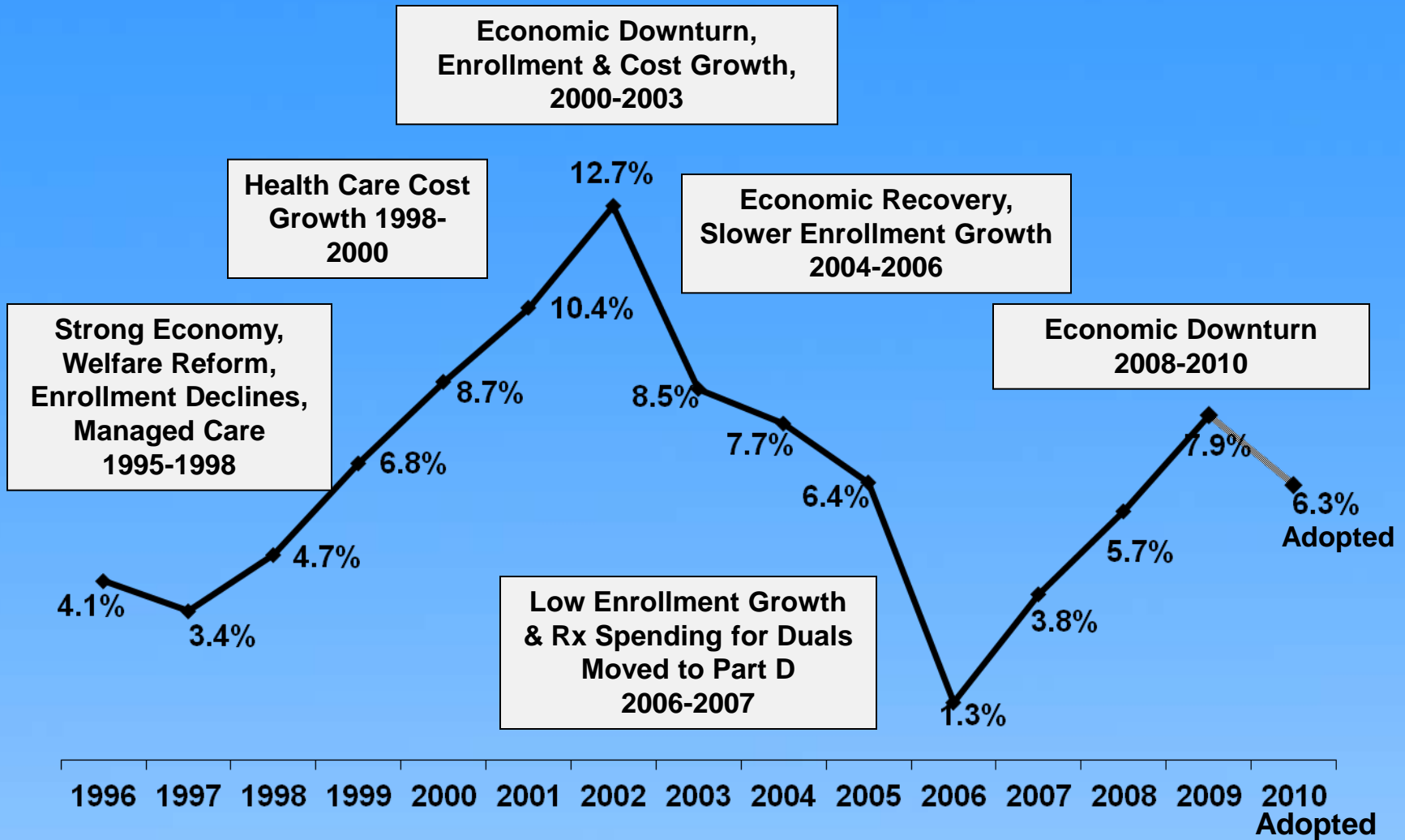
Annual growth rate:



Note: Enrollment percentage changes from June to June of each year.

SOURCE: For 1998-2008: *Medicaid Enrollment in 50 States: June 2008 Data Update*, KCMU, August 2009. FY 2009 and FY 2010 based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, 2009.

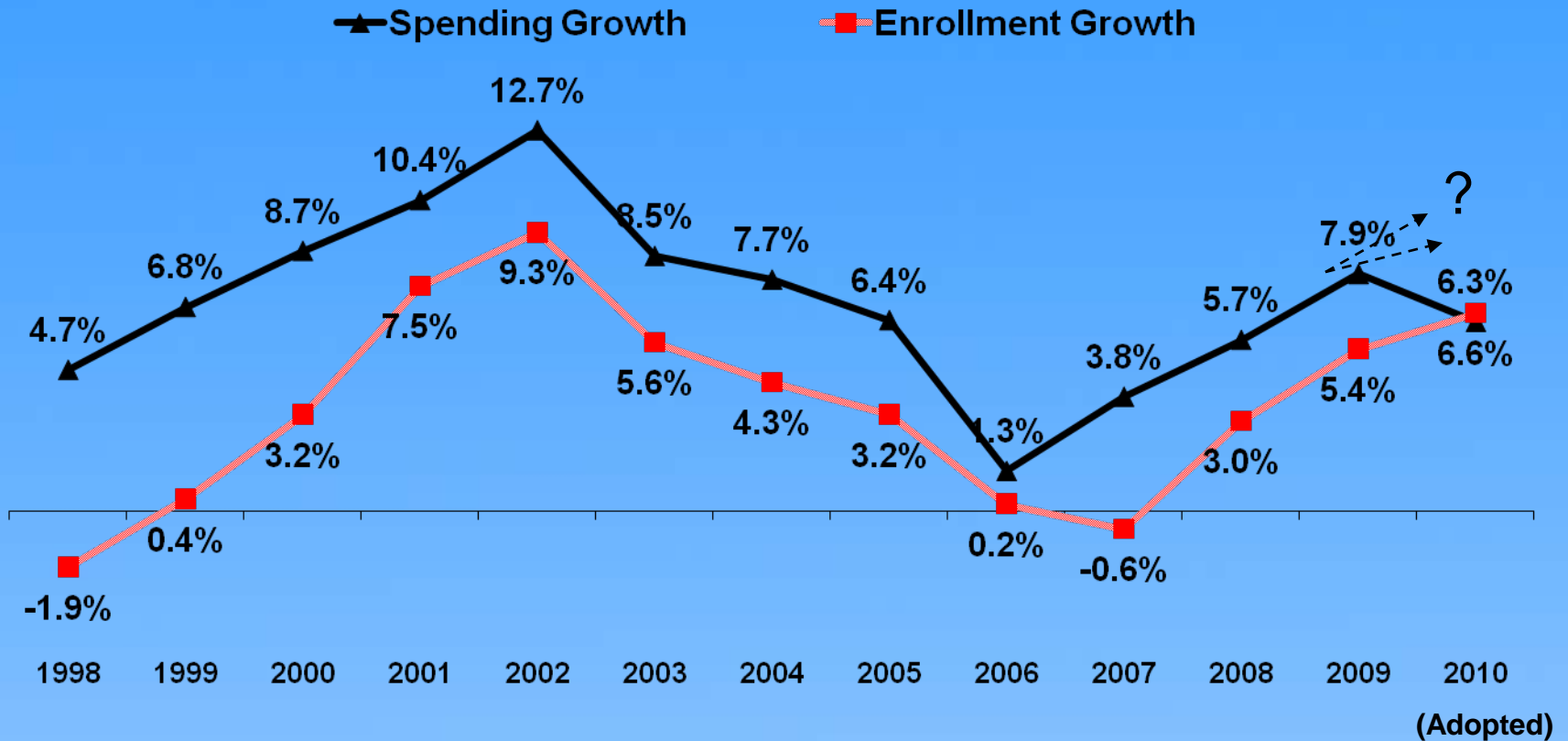
Total Medicaid Spending Growth, 1996-2010



NOTE: Data for State Fiscal Years, for total Medicaid spending, including state, local and federal funds.

SOURCE: Historic Medicaid Growth Rates from KCMU Analysis of CMS Form 64 Data, FY 2008, 2009 and 2010 based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, 2009.

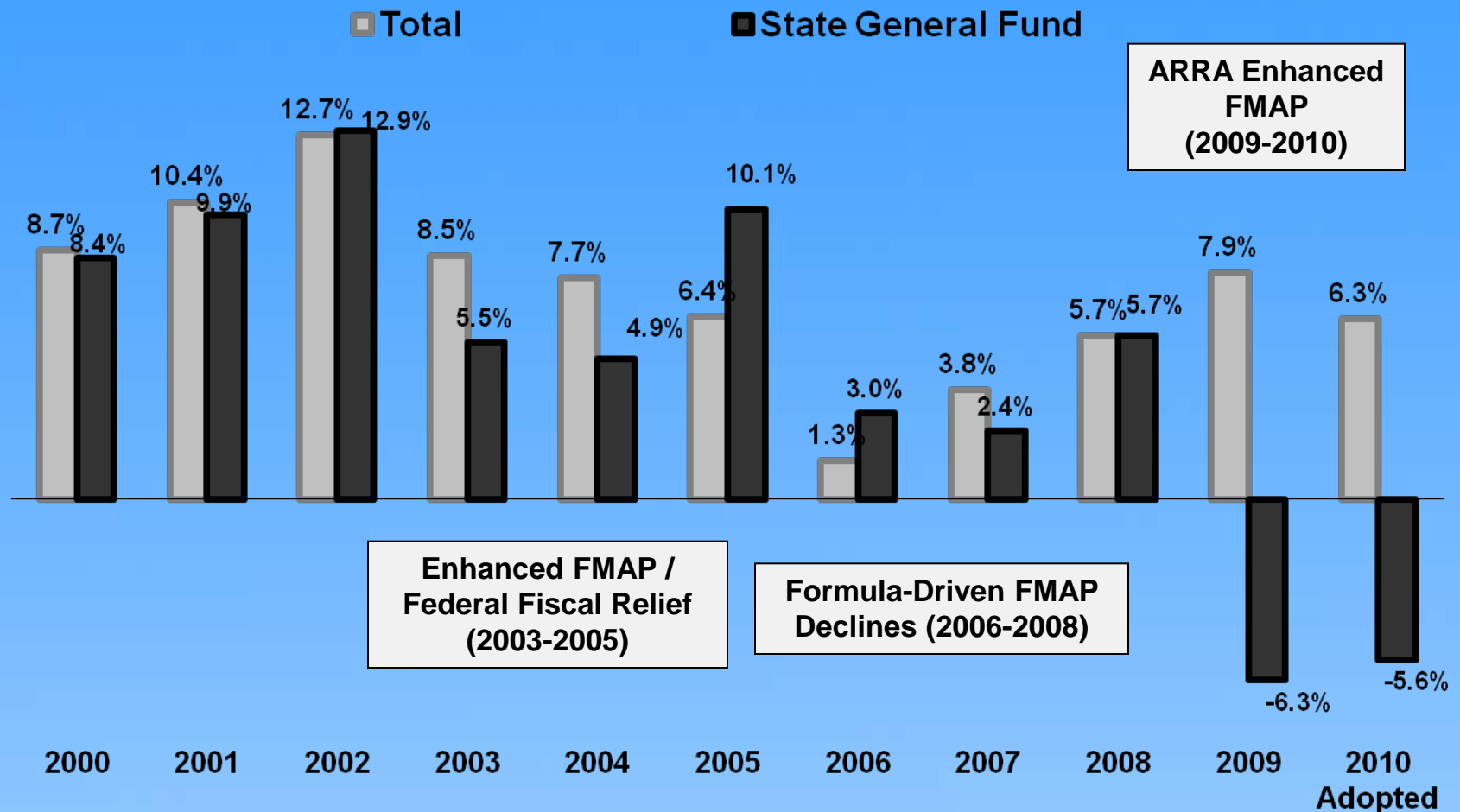
Percent Change in Total Medicaid Spending and Enrollment, FY 1998- FY 2010



NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentage changes in state fiscal year.

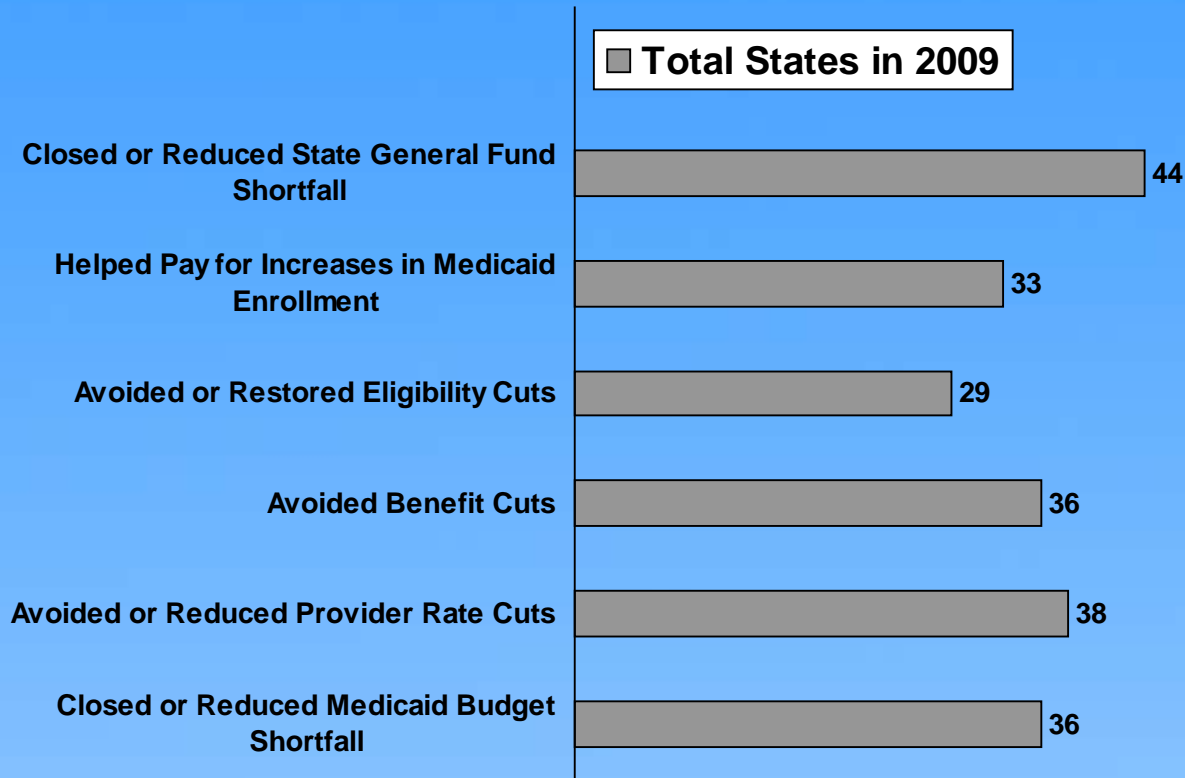
SOURCE: Enrollment Data for 1998-2008: *Medicaid Enrollment in 50 States*, KCMU. Spending Data from KCMU Analysis of CMS Form 64 Data for Historic Medicaid Growth Rates. FY 2009 and FY 2010 data based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2009.

Total and State Funds Medicaid Spending Growth FY 2000 - FY 2010



NOTE: State Fiscal Years. SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

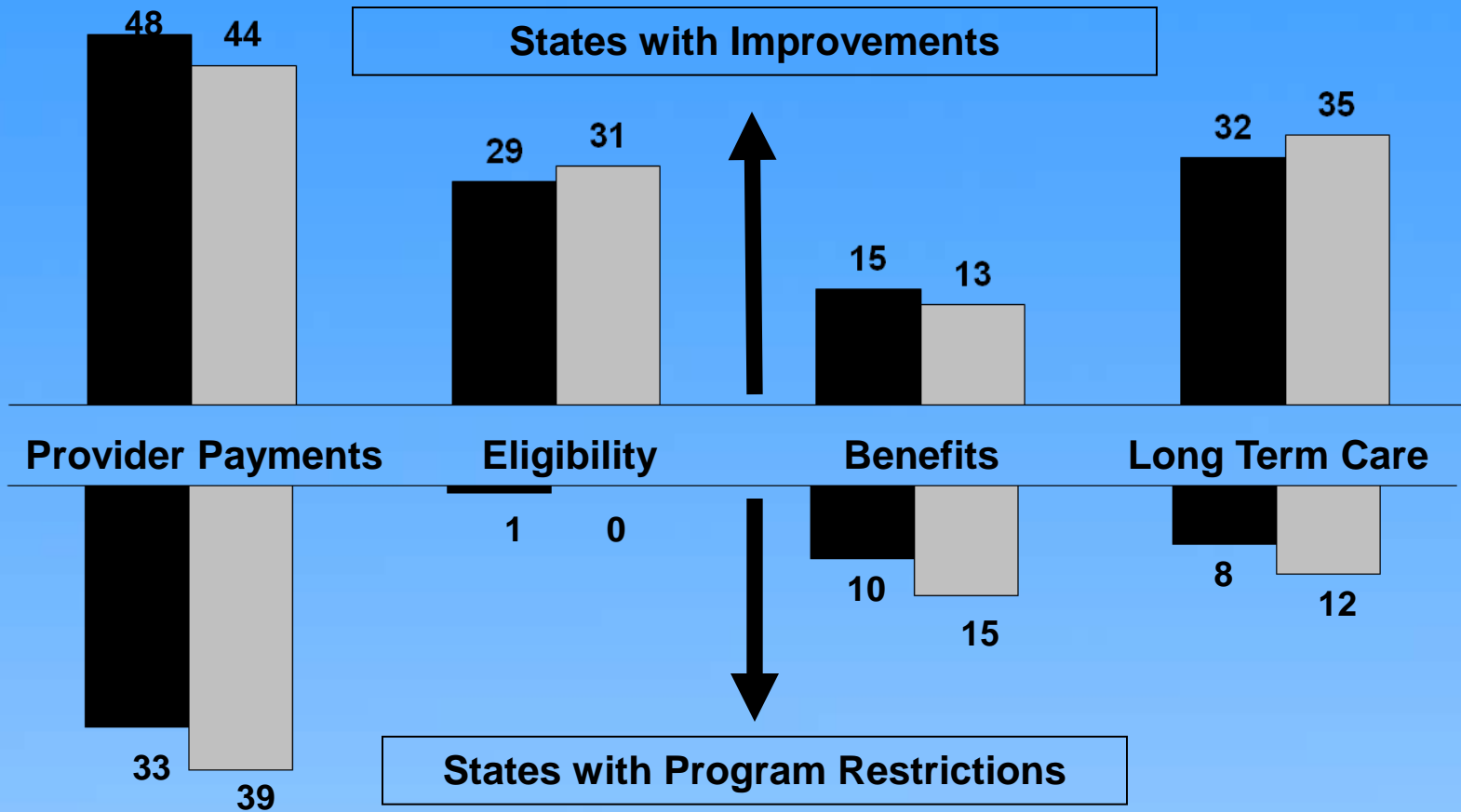
How States Used ARRA Enhanced Medicaid Funding in FY 2009



SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

State Policy Actions, FY 2009 and FY 2010

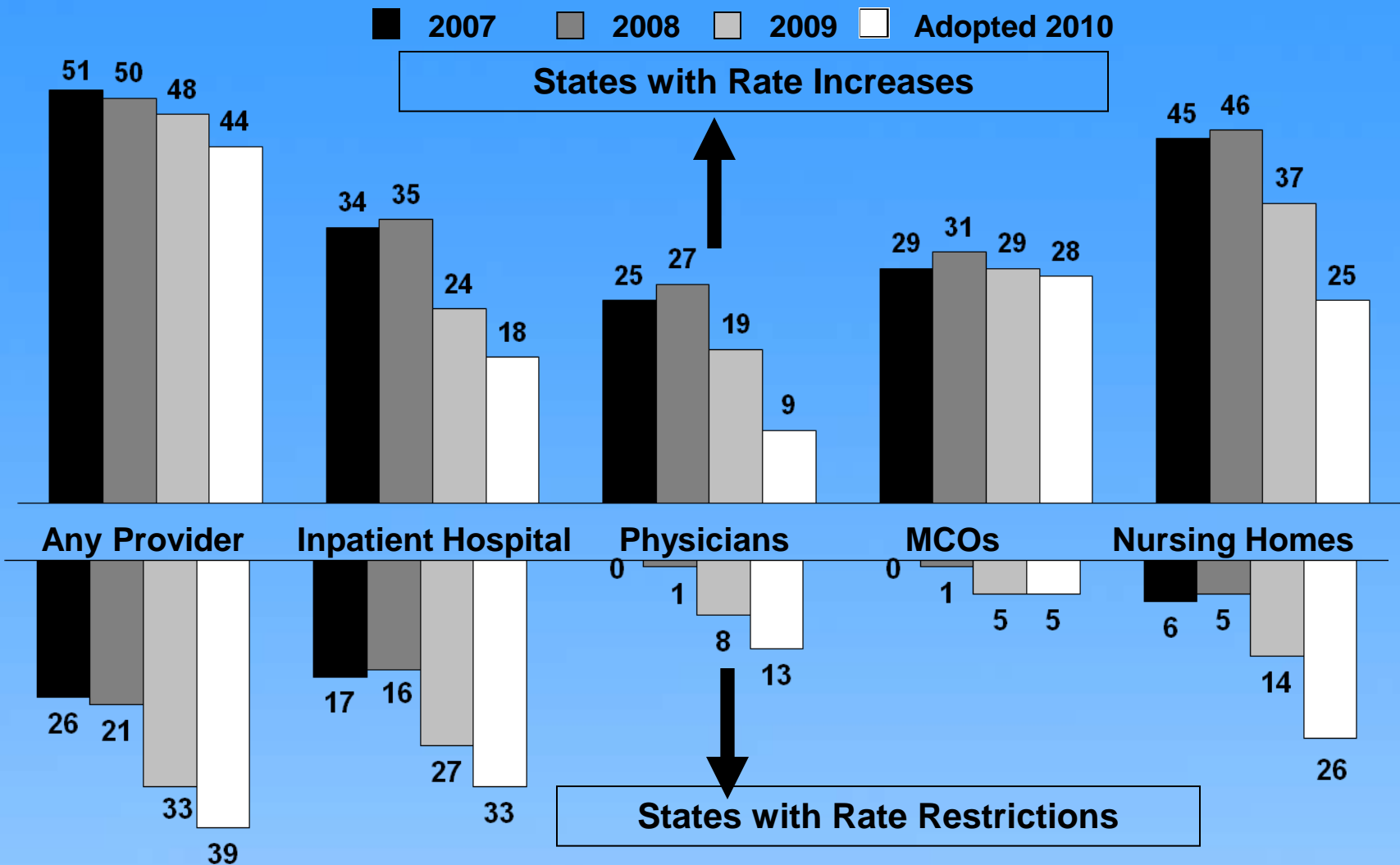
■ 2009 ■ Adopted 2010



NOTE: Past survey results indicate not all adopted actions are implemented. Provider payment restrictions include rate cuts for any provider or freezes for nursing facilities or hospitals. Eligibility includes eligibility and application expansions/restrictions.

SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

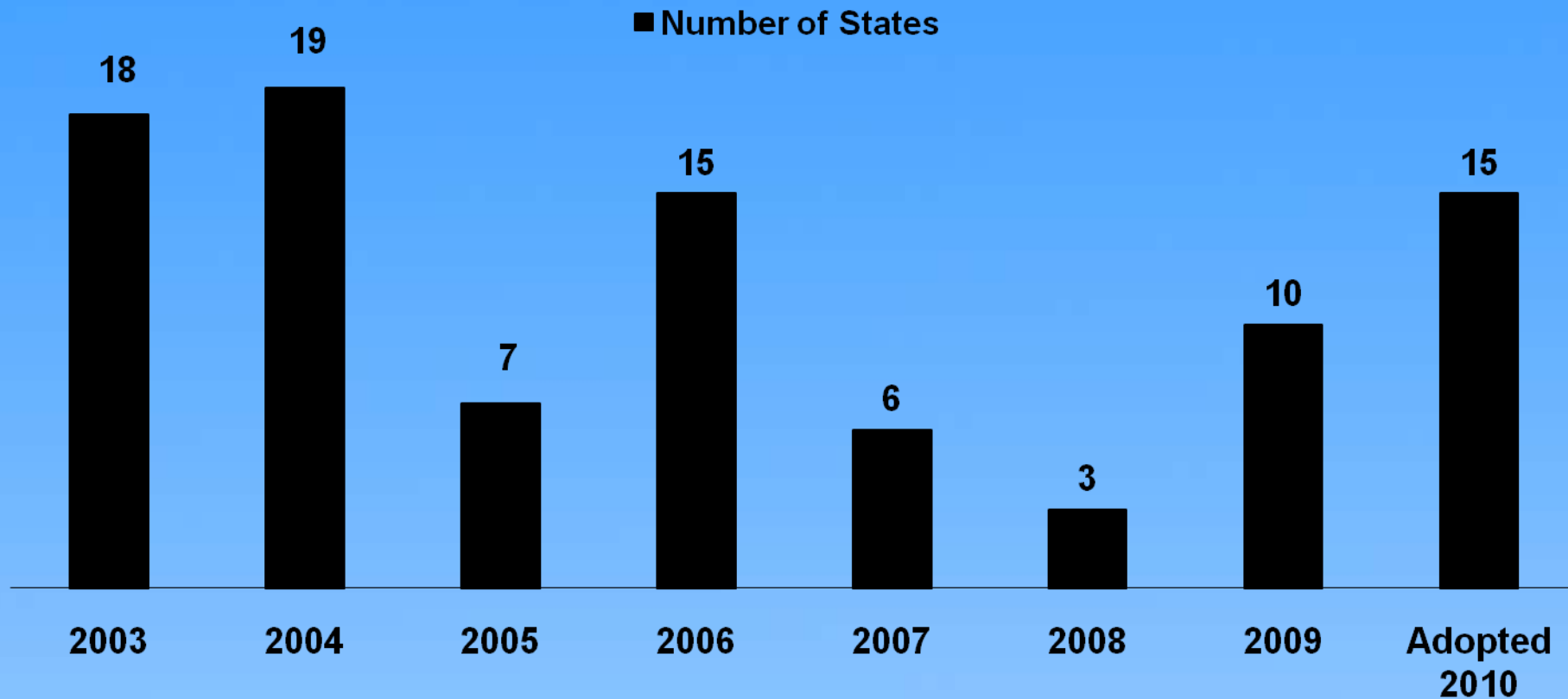
Medicaid Provider Rate Changes FY 2007 – FY 2010



NOTE: Past survey results indicate adopted actions are not always implemented. Any provider also includes outpatient hospital, dentist, home health, and home and community service providers. Rate restrictions include rate cuts for any provider and also frozen rates for inpatient hospitals and nursing homes.

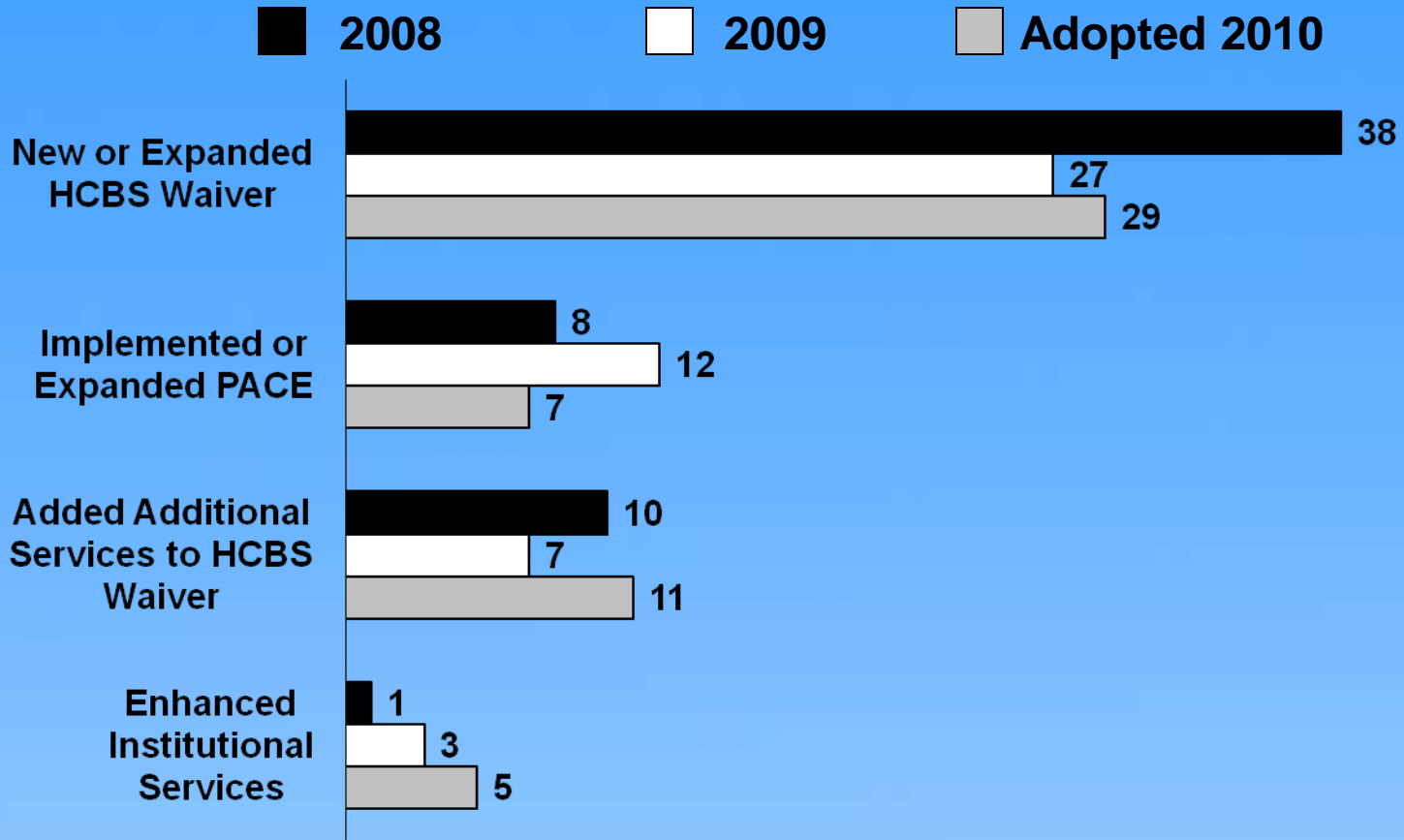
SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009.

Medicaid Benefits: States Cutting FY 2003- FY 2010



SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

Medicaid Long Term Care Improvements FY 2008 – FY 2010

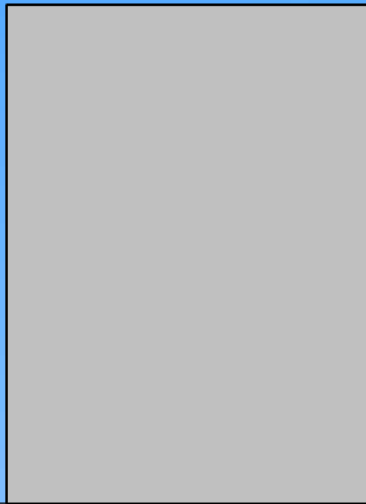


NOTE: State actions to expand HCBS waivers include those receiving Money Follows the Person demonstration grants. SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

New or Expanded Medicaid Disease Management or Care Management Initiatives, FY 2009 – FY 2010

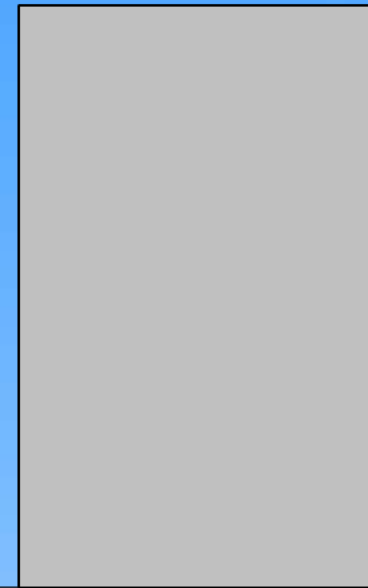
Number of States

12



FY 2009

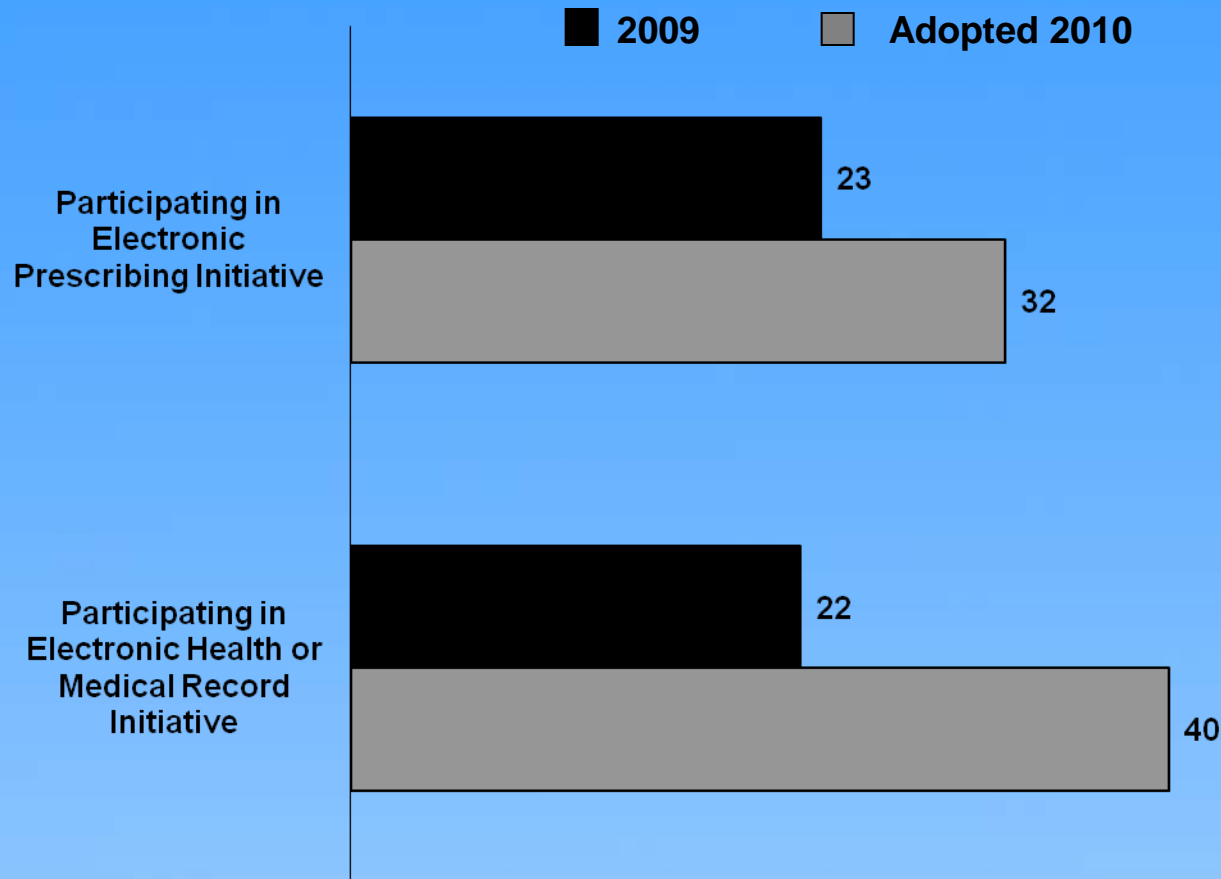
14



Adopted 2010

SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz, Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

Medicaid E-Prescribing or EMR / EHR Initiatives FY 2009 - FY 2010



SOURCE: Vernon Smith, Kathy Gifford, Eileen Ellis, Robin Rudowitz. Caryn Marks and Molly O'Malley, "The Crunch Continues: Medicaid Spending, Coverage and Policy in the Midst of a Recession," The Kaiser Commission on Medicaid and the Uninsured, September 2009. <http://www.kff.org/medicaid/7985.cfm>

Mid FY 2010 Survey Update

- 44 states and DC reported enrollment and spending trends higher than projected at the beginning of FY 2010
- 29 states reported additional mid-year cuts likely (despite enhanced ARRA FMAP)
 - 15 states said too soon to tell
- FY 2011: more drastic cuts
 - State revenue recovery unlikely to offset ARRA FMAP cliff

SOURCE: Vernon Smith, Stan Rosenstein, and Robin Rudowitz, "Medicaid's Continuing Crunch In A Recession: A Mid-Year Update for State FY 2010 and Preview for FY 2011," The Kaiser Commission on Medicaid and the Uninsured, February 2010. <http://www.kff.org/medicaid/8049.cfm>

Health Care Reform

<i>Opportunities</i>	<i>Challenges</i>
<ul style="list-style-type: none"> • Major infusion of federal funds <ul style="list-style-type: none"> ➤ Positive economic “multiplier effect” • Potential offsets to other state/local health programs due to lower indigent care costs • Direct grant opportunities for HIT, wellness, public health, etc. • Over time, demonstration projects (e.g. readmissions, ACO’s, etc.) will hopefully bend the cost curve/improve quality • Better access to primary and preventive care may result in healthier workforce, students, etc. • Medicaid and Medicare integration • <i>Almost everyone will be covered!</i> 	<ul style="list-style-type: none"> • New eligibles not fully funded after 2016; woodwork effect • Major unfunded administrative challenges • Builds on existing Medicaid program which is already deemed unsustainable by some states • Supplemental rebate losses retroactive to January 2010. May diminish ongoing leverage to negotiate • Clawback implications of the closure of the Medicare Part D donut hole • Increased pressure for provider rate increases • Potential access issues/workforce shortages

Eligibility Issues

With Medicaid Expansion

- **New Eligibility Group: Adults below 133% FPL**
 - Based on Modified Adjusted Gross Income (MAGI)
 - Effective threshold is 138% FPL
 - No Asset Test Applied
- **Complexity Around Eligibility Determination**
 - Who is Previously Eligible? (Standard FMAP)
 - Who is Newly Eligible? (Enhanced FMAP)

The Biggest Challenge: Eligibility Systems Changes

- Sense of urgency since January 2014 is so close, it is extremely complex, and there is little room for error – it has to be perfect
- Awaiting guidance from CMS so can begin to write system specifications and requirements
 - Must identify newly eligible individuals for higher match
 - Must use new income definitions for MAGI
 - Must integrate with Health Insurance Exchange and CHIP
 - Must be simple and easy to use
- Investment should result in a simpler, streamlined system, integrated with Insurance Exchange

SOURCE: Vernon Smith, "Health Care Reform and Medicaid," Alliance for Health Reform, Presentation April 23, 2010.

HCR Maintenance of Effort

- Prohibits eligibility cuts/restrictions between 3/23/10 and 1/1/14 (similar to ARRA MOE)
 - Applies to both Medicaid and CHIP (ARRA: Medicaid only)
- Exception for a small number of states covering adults above 133% FPL
- MOE violations: loss of *all* federal Medicaid funding
- Could result in relatively larger provider rate cuts and benefit cuts

Conclusion

- The challenges have never been greater
- The opportunities have never been more exciting
- The states (with their CMS partner) will figure this out and make it work,
 - *but it may be a bumpy ride . . .*